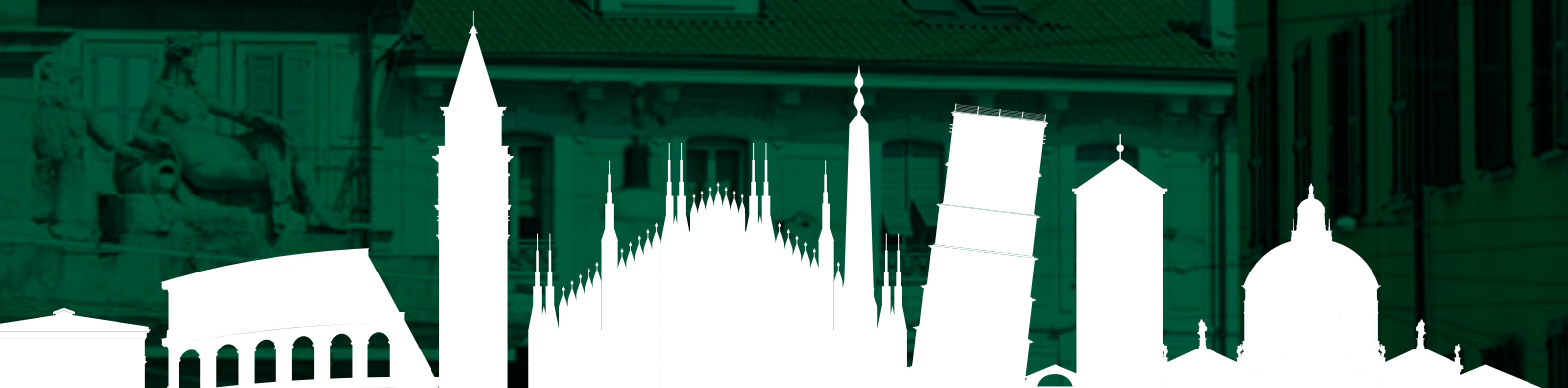
CBRE RESEARCH

REAL ESTATE MARKET OUTLOOK

2017

ITALY

CBRE



PAGE 06

Review

• 2016 was not an easy year geo-politically and financially, but the European and Italian real estate markets consolidated the progress they had made since 2014.

• Long-term investors have come back to our country.

• In 2017 there are significant investments in the pipeline and this is why the first half of the year should already be very good while in the second half progress could be more limited.

PAGE 08

Economic Outlook

• 2016 was a year of surprises at global level and for Italy the resignation of the Renzi Government at the end of the year generated considerable volatility in the markets, made worse by the crisis of the banking system; despite this the economy continued to show a gradual improvement compared to 2015.

• 2017 will again be a year of slow growth, below 1%; the general environment will be dominated by the political uncertainty that could lead to the possibility of early elections.

• Employment, consumption and household confidence are expected to improve in 2017 albeit at a slow rate.

PAGE 12

Investment Outlook

• 2016 confirmed the strong interest of investors for Italian real estate with a volume of 9.1 billion Euro invested.

• The market confirms that it is more resilient than in the past, showing a greater ability to react to external shocks and limit the risk of volatility.

• Plenty of capital availability and the premium still paid for real estate will continue to foster investment in 2017.

• Core investments should increase in 2017, benefiting from the greater political uncertainty that will accompany 2017.

PAGE 18

Office Outlook

• Demand for office space in Milan and Rome will continue to be high in 2017.

• Development activity is still limited; refurbishment in key locations is increasing, which is contributing to the rise in the offer of grade A properties.

• Prospects for the Rome market are improving in 2017 driven by the need for a better quality of spaces occupied against a backdrop of little development activity.

PAGE 24

Retail Outlook

• The slow improvement of the Italian economy is continuing and sale in 2016 confirmed the positive trend that began at the end of 2014.

• In 2017 strong interest by international retailers is being confirmed with new entries into the Italian market.

• Development activity will grow albeit selectively for shopping centres, retail parks and FOCs; the repositioning of some properties on the main streets of Italian cities is creating the offer of new space for incoming retailers.

PAGE 30

Logistics Outlook

• Strong interest by logistics operators engaged in restructuring their supply chains.

• Speculative development is still weak but in 2017 a recovery in construction activity is expected but again it will be very selective.

• Growing interest by investors for logistics.

PAGE 32

Hotels Outlook

• Investment activity in the Italian hotel sector continued to grow in 2016 and the forecasts for 2017 continue to be positive.

• Not only trophy assets, but also properties needing refurbishment and repositioning: more large hotel chains are wanting to enter Italy with an increasing variety of formats.

PAGE 36

Alternative Sector Outlook

- In the last two years investment volumes in "alternative" sectors came to just under 2 billion Euro, moving up to accounting for approximately 10% of the total investment volume.
- Demand for investments in alternative sectors is growing in 2017, with both core and core plus investors continuing to seek opportunities in these non-traditional sectors.
- Although this market is still small in size, since 2016 new management entities have come on the scene and this could in future lead to growth in offer for the alternative sectors too.

PAGE 40

NPLs Outlook

- In 2016 the sale of NPLs in Italy grew further compared to 2015, despite the stalemate in the market caused by growing uncertainty at the end of the year.
- Investor demand is high although there is still some imbalance between supply and demand which could be eliminated in the course of 2017.
- 2017 could be the key moment for the Italian NPL market, with further growth in volumes and the market becoming consolidated and mature.

2017, YEAR OF CHANGE?

2016 was not an easy year from the geopolitical and financial point of view, but the European and Italian property markets consolidated the progress made since 2014. And long-term investors have come back to our country, where the scenario is becoming more and more positive.

2016 was a year of important growth for the Italian property market, and in 2017 we are expecting further steps forward. The crisis in the property sector now definitely seems a thing of the past and the prospect of the central banks raising interest rates, albeit gradually, is not of particular concern: the ECB has confirmed that Quantitative Easing will continue throughout 2017 and we should see some limited effects of this only as from next year.

Thus 2016 further confirmed and consolidated the positive trend that began in 2014: the market has grown by over 10%, reaching 9 billion euro of investment and achieving the second highest result in absolute terms since the 10 billion reported in long-ago 2007.

In Italy long-term and domestic investors have returned to the market as indeed have the more speculative funds: a sign that they believe that our country has entered a period of stability from the macroeconomic perspective, with lower risks (and returns) than in other markets.

"We believe that 2017 will again be positive for Italy. In fact everything leads us to suppose that it could be the best year ever, with over 10 billion in investments."

"Thus 2016 further confirmed and consolidated the positive trend that began in 2014: the market has grown by over 10%, reaching 9 billion Euro of investment."

All of this, moreover, happened in a year in which external events and factors were anything but favourable. First of all, there were difficulties in China and emerging markets (linked partly to the fall in commodity prices) which were then partially overcome. Then came the Brexit referendum, which in any case had more effect on the British market (where transactions decreased in number) than on Continental Europe.

Then again, the election of Donald Trump to the White House, which was however followed by a positive reaction from the markets, and lastly the rejection of the Italian constitutional referendum which led to the fall of Matteo Renzi's Government. All things considered, an extremely complex environment, in which the Italian property market attracted various French and German investors as well as various Italian pension funds.

"We believe that our country has entered a period of stability from the macroeconomic perspective, with lower risks (and returns) than in other markets."

This is one reason why we believe that 2017 will again be positive for Italy. In fact everything leads us to suppose that it could be the best year ever, with over 10 billion in investments. Of course there are still several uncertainties in the background: first the beginning of the actual Trump presidency and the general elections in France, the Netherlands and Germany.

However, we are of the opinion that the Italian economy is on the right road, with GDP set to grow by 1% and moderate consumer confidence: there are significant investments in the pipeline and

Photo: Porta Nuova, aerial view (Shutterstock)..

this is why the first half of the year should already be very good while in the second half progress could be more limited. Of the market players, core investors in office and retail (particularly the high street) should confirm their presence while opportunistic investors might find it a bit more difficult, even though there will be opportunities in NPLs.

Alessandro Mazzanti, *CEO, CBRE Italy*

"In 2017 there are significant investments in the pipeline and this is why the first half of the year should already be very good while in the second half progress could be more limited."

2017: OUT OF RECESSION BUT STILL WITH A YEAR OF SURPRISES AHEAD

The Italian economy is slowly continuing to recover but is still lagging behind other European countries. Despite the fears generated by the outcome of the constitutional referendum at the end of the year, the market reacted positively showing a greater resilience than in the past. 2017 will continue to be dominated by political events with possible repercussions on the volatility of the markets.

EUROPEAN OUTLOOK

2016 was an unusual year with the Euro Area economy actually growing faster than the USA but this looks set to change in 2017. Since mid-year, the US economy has been accelerating at a pace that looks set to continue into 2017 (with forecast growth of 2% compared to 1.5% in 2016).

After a brief initial adverse reaction, markets now see the Trump presidency as being good for growth although not without risks. Growth in the EU, by contrast, even excluding the UK, is expected to slow marginally – from 1.8% in 2016 to 1.6% in 2017 – largely a result of rising inflation on real incomes. The "recovery economies" of Spain, Ireland and the countries of central Europe are still expected to continue to be fastest growing.

"2016 was an unusual year with the Euro Area economy actually growing faster than the USA but this looks set to change in 2017."

Inflation will have implications for interest rates. In the USA, a December Fed funds rate hike of 25bps is expected and with two, or more, further increases foreseeable in 2017. US long-term treasury yields are likely to rise similarly and possibly by more and sooner.

The Europe case is not so clear. Inflation is lower and unemployment remains over 10% in many countries. The ECB's main refinancing rate will not increase (from 0%) while QE lasts and the ECB's QE programme has been extended until the end of 2017 (albeit at a slightly lower level of monthly asset purchases). Nonetheless, a gradual upward drift in Euro area government bond yields is likely but more in 2018 than 2017 and on a smaller scale than the USA.

ITALIAN OUTLOOK

The economic recovery in Italy continued in 2016, although at a slower rate than predicted a year ago and Gdp should come in at an annual + 0.9% (1). The Italian economy should grow in 2017 at the same rate as in 2016 while it could go over the 1% threshold only in 2018 and 2019.

During 2016 various events, particularly in the second half of the year, contributed to slowing the rate of economic growth: political instability linked to the constitutional referendum (2) and the worsening of the banking system. For the macro events (Brexit and the election of Donald Trump as 45th President of the United States) that shook the world economy, it is still early to assess their impact on the domestic economy, although they are factors of uncertainty for future prospects.

"The economic recovery in Italy continued throughout 2016, annual GDP growth should be around 1% and in the later months of the year the risk of deflation diminished."

The risk of deflation diminished in the later months of 2016 and inflation rose again in December, although core inflation was still at low levels. According to some estimates (3) average inflation for 2017 could rise to 0.9% (from -0.1% in 2016), below the rate forecast for the Euro area as a whole. To keep expansionary monetary conditions adequate to ensure a rise in inflation, the ECB has extended the duration of its quantitative easing programme to at least December 2017 or even beyond if necessary. From April the monthly purchases will return to 60 billion as in the initial phase of the programme.
Despite recent reform introduced by the Jobs Act, the labour market is destined to remain fragile and there are certain contradictions inherent in it that prevent it from working fully.

1 Source: Banca d'Italia, January 2017.
2 Source: Business as usual? November 2016, CBRE Italy.
3 Source: Consensus Economics, January 2017.

In December 2016 the unemployment rate was confirmed at 12% although it reflected significant regional differences and differences by age-group. More specifically, the unemployment rate is lower than the national average in the regions of the North and Centre of Italy and is higher in the South and the islands. As far as age is concerned, unemployment ranges from 6.3% for the 50-64 age-group and 7.8% for the 35-49 age-group to a maximum of 40.1% for 15-24 year olds. In 2017 the labour market should continue to improve, with unemployment expected to go below the 12% threshold to around 11% in the next two years.

POLITICAL OUTLOOK

On December 4 2016 a constitutional referendum was held in Italy in which voters were asked to decide on some important changes, above all on the proposed abolition of the legislative powers of the Senate. If this reform had been approved, it would have made the Chamber of Deputies (lower house) the main legislative body, with the aim of simplifying the Italian political system.

The result of the referendum was negative, confirming, unlike in the British and American cases, the pre-referendum polls. As he had promised in the event of a defeat, the Prime Minister Matteo Renzi resigned and the President of the Republic rapidly

"The Italian economy should grow at the same rate in 2017 as in 2016 while only in 2018 and 2019 is it likely to go above 1%. In 2017 the improvement of the labour market should continue."

Photo: Piazza Affari, Milan (Shutterstock).

JOBS ACT

This reform, which came into force in March 2015, favours companies by reducing the risk of conflict in handling redundancies and introduces a labour contract with increasing safeguards for all hirings carried out since the introduction of the regulation. The simultaneous opportunity of hiring new staff or converting temporary contracts to full-time ones has, in fact, created a new space in the regulation of the Italian labour market, finally giving an answer to the demand for flexibility that companies had been making for some time.

approved the formation of a new government led by Paolo Gentiloni, thereby guaranteeing political continuity from the previous government. This did away with the fears associated with a negative result of the referendum, the markets reacted without particular fears and movements were negligible. The so-called Stability Law was approved in record time, and the new government communicated with the ECB to find a solution to the thorny question of the banks.

"After the negative result of the referendum, the markets reacted without particular fears and movements were negligible."

Furthermore, at the end of January the Italian Constitutional Court rejected the allegations that the electoral law was unconstitutional, effectively turning the Italicum Law into a proportional law counterbalanced by a substantial majority bonus system and affirming that the law was immediately applicable.

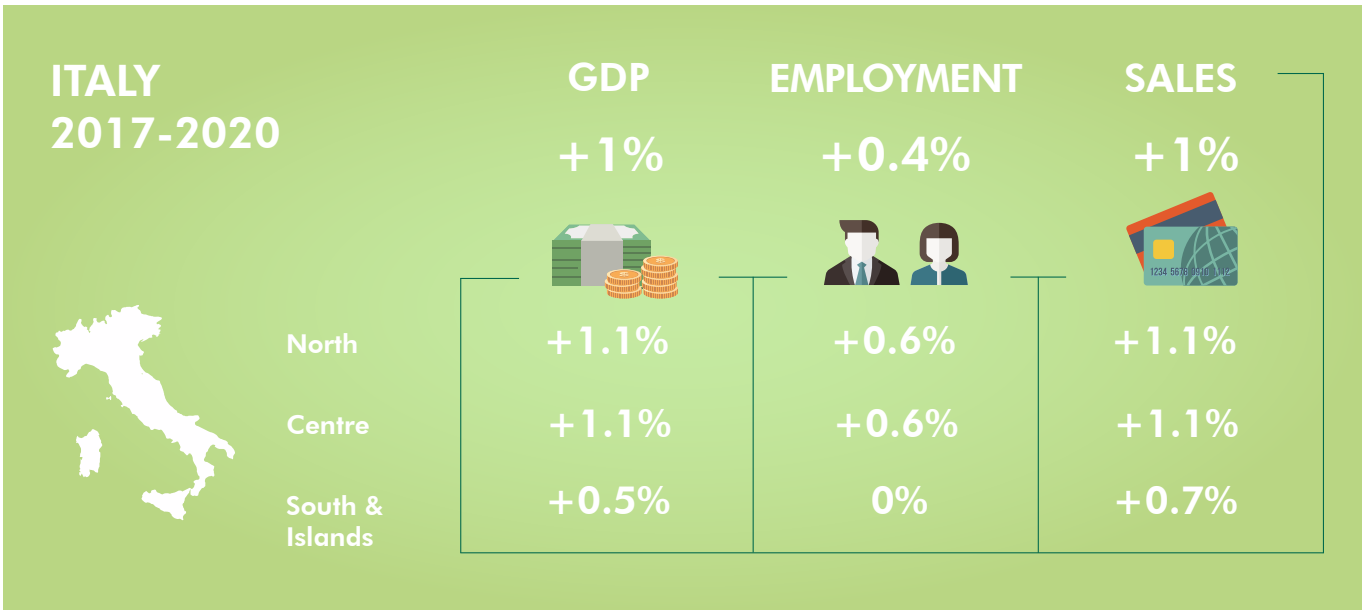
From today, Italy officially has two electoral laws in force, one for the Chamber and one for the Senate. However, the Italian banking and financial sector remains vulnerable, caught between the burden of non-performing loans, the stock of national public debt that weighs on the banks' balance sheets and the new EU regulation on capital requirements and on the bail-in clause. In all likelihood, the political tensions following the referendum will fade in the course of this year and an early election may be avoided.

"This economic picture supposes that credit conditions remain calm and that the reform process initiated in the last few years is not interrupted."

Despite the increasing force of anti-establishment movements, the Italian government will attempt to further exploit the fiscal breathing space created by the accommodating stance of the ECB, and attempt to find a common ground with the European Union on the question of bad debts, in order to maintain the stability of the Italian banking and financial system. In short, some forecasts show the Italian economy continuing to grow over the next three-year period, driven by national demand, and, from 2017 onwards, by the gradual strengthening of foreign demand. This economic picture supposes that credit conditions remain calm and that the reform process initiated in the last few years is not interrupted. Apart from financial conditions, the main causes of uncertainty come from the global context.

Raffaella Pinto, *Head of Research, CBRE Italy*

Average annual change 2017-2020.

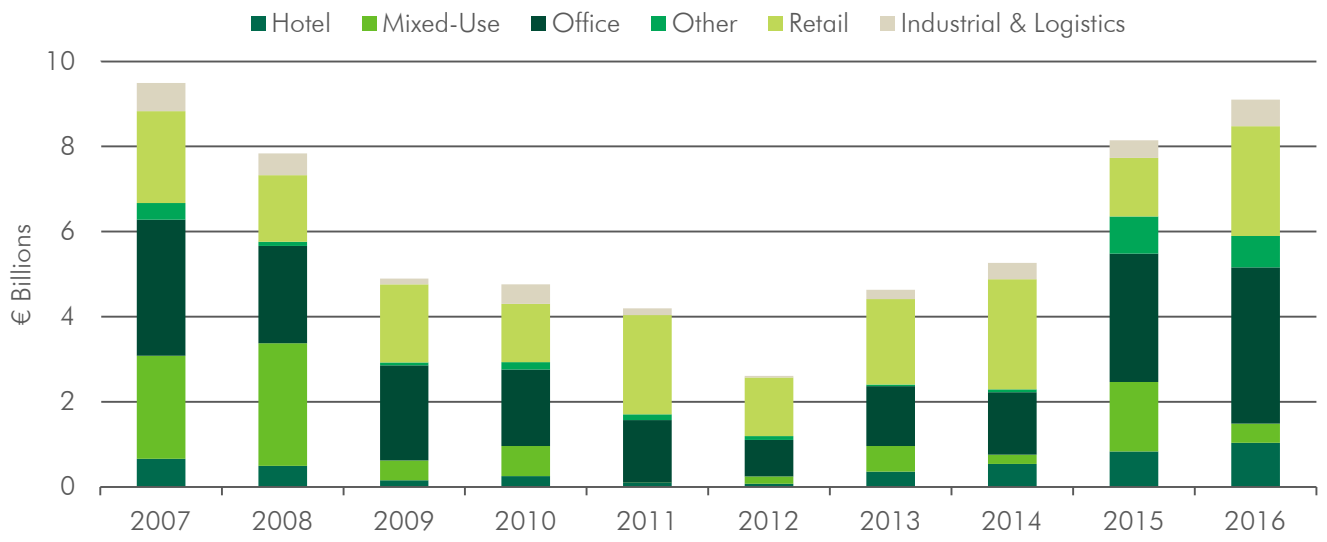


Source: Oxford Economics, December 2016.

REAL ESTATE INVESTMENTS CONTINUE TO GROW

The interest shown in the Italian Real Estate Market by core domestic and International investors is continuing in 2017: the main obstacle to further investment expansion will once again be the lack of product able to satisfy this demand.

Figure 1: Evolution of investment volumes in Italy by asset class.



Source: CBRE Research.

REAL ESTATE INVESTMENT VOLUMES IN ITALY

At 9.1 billion Euro, the total volume invested in the real estate sector in 2016 was a positive surprise, despite fears of a slowdown caused by the negative outcome of the referendum, with an annual growth of 12%. In particular, the volume invested in the fourth quarter of 2016, amounting to 4 billion Euro, was one of the highest ever.

Further confirmation of this tendency came from the reply given by a sample of investors (1) to two questions about their behaviour following the negative outcome of the referendum: whether the outcome of the referendum will have a negative effect on economic recovery and whether it will have an effect on their real estate strategy. Most of those questioned answered both questions in the negative, with 63% and 78% respectively.

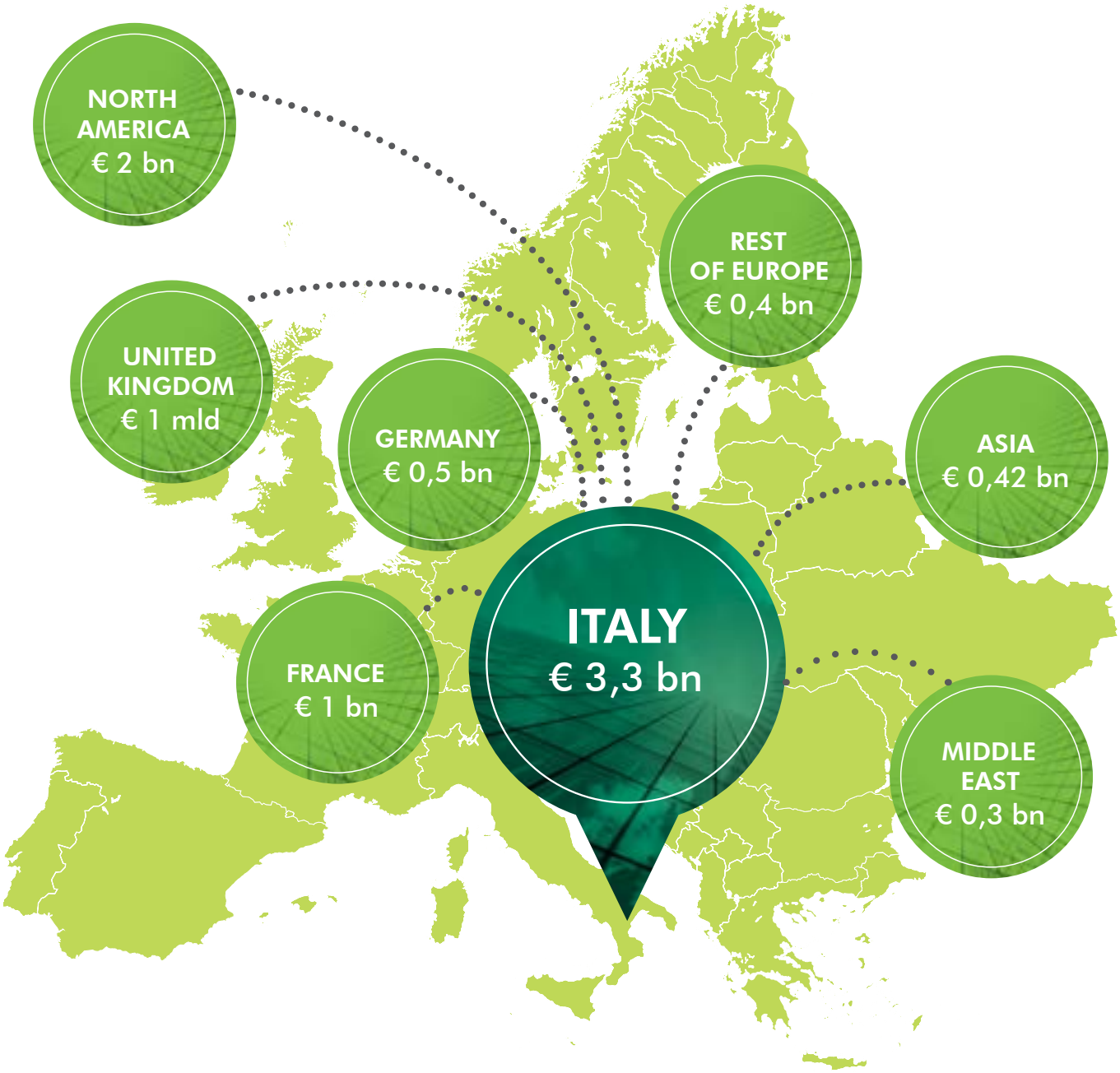
At least in the latter part of the year, the effect of the referendum may have slowed the total volume, growth in 2016 having moved to +12%, from 50% in 2015, and it may have delayed some transactions underway which will very probably be completed in 2107, but overall 2016 has proven to be the second best year for Italian real estate investment after the record level of 10 billion in 2007.

"2016 has proven to be the second best year for Italian real estate investment after the record level of 10 billion in 2007."

The last four years have seen a change in the profile of investors in the Italian market both in terms of type and of nationality. From 2013 to 2015 around 80% of total volumes invested in Italy came from abroad and most of the capital came from private equity funds, especially in the period immediately before the crisis of 2011-2012. In 2016, with 3.3 billion Euro invested,

1 Italian Investor's Survey 2017, CBRE Research Italy analysis based on a survey conducted in December 2016 on a sample of 50 investors, domestic and cross-border, who are active in the Italian market.

Figure 2: Real estate capital flows to Italy in 2016.



Source: CBRE Research, 2016.

domestic capital returned to the Italian market, which grew by almost 70% compared to 2015. Foreign capital continued to account for most of overall real-estate investment even in 2016, although its percentage of the total was down: from 80% to approximately 62%.

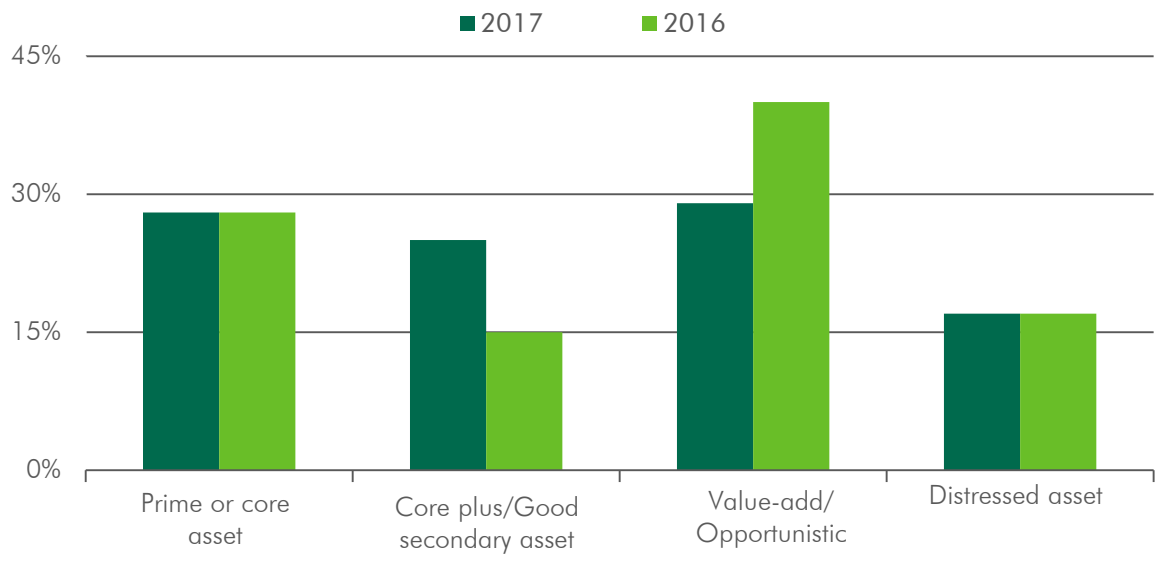
2016 was also the year which confirmed the return of the core investors, with a lower risk profile and more conservative investment strategies. They will continue to be active in 2017, above all in the general context still marked by uncertainty and volatility linked to the political instability which points to more risk averse strategies.

"Core investors, with a lower risk profile and more conservative investment strategies will continue to be active in 2017."

According to a survey of investor intentions in the Italian market, the type of investment preferred for 2017 turns out to be core/core plus rather than value add/opportunistic. In fact, compared to 2016, the proportion of those indicating core and core plus as preferred investment types has increased to 54% compared to 43% in 2016, and the percentage of those stating a preference for non-core investments (opportunistic/value added and distressed) has gone down from last year's 57% to 46%. Further confirmation is added by the risks investors are prepared to take on non-prime assets: greater than 2016 for only 27% of those interviewed, as against 41% last year, while the proportion of those who would maintain the same risk is fairly stable (58% versus 56% in 2016). Turning to sectors which will continue to attract a growing number of investors in 2017, the preferences emerging from the survey tend to follow last year's model: the high street with 18% (20%) of preferences is still the most attractive sector, followed by offices at 16% which, despite the fact that the variety of types of investment asset is growing, continues to attract the majority of investments (40% in 2016, the second record year in Milan for volume of investments).
With 14% of preferences, shopping malls remain stable among investor choices, which is in fact higher than it is in reality (9% of total investments in 2016). Certainly the best performer among investor desires is the logistics sector: 14% of preferences compared to 8% the previous year. It highlights the strong imbalance between demand and supply in this sector which is further underpinned by the real market. In fact in 2017 only 7% of the overall CRE investments comprised logistics assets.

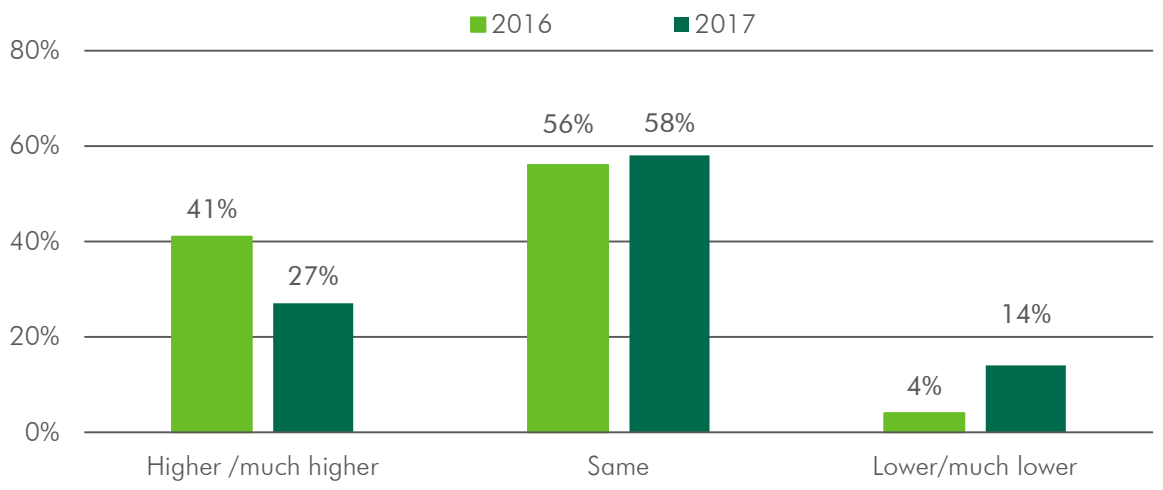
Photo: Palazzo Lombardia, Milan (Shutterstock).

Figure 3: What type of property assets are most attractive for you to purchase in 2017? (Comparison with 2016)



Source: CBRE Research, Investors' Survey 2017.

Figure 4: What is your risk appetite in 2017 compared to 2016?



Source: CBRE Research, Investors' Survey 2017.

Photo: Eur, Rome (Shutterstock).

YIELDS

Property yields are at an all-time low today and the spread with the 10 year BTP rate has never been so wide, despite the yield increase for the latter in the last part of 2016. All sectors today show lower rates than the previous low in 2007: -25 bps for logistics, -85 bps for offices, -95 bps for the high street. Only the shopping mall sector shows returns 40 bps higher than the minimum level of the previous cycle. Observing the spread with returns on BTPs is even more interesting: from 143 bps of the high street to 443 bps for logistics. The real estate sector remains decidedly interesting despite being "a bit more expensive than in the past". In general, we expect that 2017 will continue to be a positive year for Italian real estate, with a volume of investments that could equal that of 2007 or even be higher. In 2017, the possibility of growing more than in 2016 may be hampered by certain elements which could slow down or hinder a greater increase in volumes: the lack of product, political instability, and, above all for investors not used to Italian ways, the limited transparency of the market.

The trend of yields in 2017 could reveal a further polarisation between prime and non-prime. However, we maintain that there will not be an impact on yields on real estate deriving from the gradual increase in interest rates caused by restrictive monetary policies, at least not in 2017.

"The property sector remains decidedly interesting despite being *a bit more expensive than in the past.*"

Figure 5: Prime net yields evolution per asset class.

Source: CBRE Research, Investors' Survey 2017.

Photo: Fondazione Feltrinelli, Milan (Shutterstock).

MILAN HAS NEVER BEEN SO ATTRACTIVE

Prospects for the office property market in Milan in 2017 continue to be good. Accessibility and quality will continue to be the drivers of demand from companies, and thanks to improvements in employment, some corporates will be including expansion in their agendas. Today Milan is the subject of a big infrastructure development project of the transport network, which will bring it ever closer to the great European capital cities and will guarantee it more opportunities to attract new companies, above all among agencies connected to the European Union.

The Milan office market is continuing the recovery that began in 2014 and 2016 was another positive year with an annual absorption, which at 304,000 Sq m is up by 7% compared to the average of the last 5 years (2012-2016). Milan remains the most dynamic city for the private sector.

The showcase that was Expo 2015 consolidated Milan's position among the main global capitals, and today the city is living a period of great cultural, urban and social ferment. With around 800 innovative start-ups registered in 2015 alone, the city is the Italian peninsula's main business incubator, able to host and generate innovative forms of business and foster an environment that simultaneously guarantees proximity to special markets, the presence of a skilled workforce in the area, research centres and easy access to transport networks.

In 2016 Milan's most dynamic areas were the Porta Nuova district and the CBD, which together accounted for 28% of total absorption. Increasing demand brought about a growth in prime rents in the third quarter of 2016, reaching the threshold of 500 Euro/Sq m per year, which is still 10% less than the high point reached in the previous cycle (2004-2008). Between 2017 and 2020 an average rental growth of 2.5% is predicted. However, compared to the past, incentives offered by the owners continue to represent at least 10% of prime rentals, even reaching 20% in more difficult situations. With about 30% of office space rented out, in 2016 the manufacturing sector was the most dynamic, the preferred locations being peripheral areas (29%) and Porta Nuova (18%).

Cost reduction and accessibility are still among the drivers of this type of location choice. However, the reasons for the location choices of companies in the financial sector, which follow with about 20% of the space occupied, are different. In fact, most of the financial companies chose the CBD, the centre and Porta Nuova, confirming their historical penchant for central areas. In this case the main driver was the search for iconic spaces and/or ones able to represent or evoke the brand image.

The level of prime rents, while still being lower than the previous peak, remains high due to the effect of a lack of quality spaces not being balanced by an adequate supply. In fact, development activity, despite the slight improvement, is still very limited. In 2016 completed developments fell just short of 100 thousand Sq m, 22% less than in 2015, and very far from the over 300,000 Sq m completed in 2010.

"With around 800 innovative start-ups registered in 2015 alone, the city is the Italian peninsula's main business incubator, able to host and generate innovative forms of business."

Developers are still reluctant to take on the risk of speculative development and prefer to ensure they have a user before starting construction. Consequently, most completed developments and those in the pipeline are not speculative. In 2016 some foreign investors started significant redevelopment work on existing buildings (among the most important were Blackstone, Hines and Invesco) thus fuelling a new speculative pipeline which in some cases found a user in the space of a few months before completion. In particular, construction projects underway in Milan include around 260,000 Sq m of GLA (43% of which is refurbishment of exiting spaces), of which approximately 170,000 Sq m with delivery by the end of 2017 consist almost exclusively of refurbishment projects.

Photo: Diamond Tower (Shutterstock).

MILAN

2017 - 2020 | OFFICE BASED EMPLOYMENT GROWTH
AVERAGE ANNUAL CHANGE

PROFESSIONAL +2.2%

BUSINESS SERVICE +1.8%

CREATIVE INDUSTRIES +1.3%

FINANCE +1.3%

MANUFACTURING +0.6%

PUBLIC ADMIN -0.1%

Source: Oxford Economics, December 2016.

Photo: Porta Nuova (Shutterstock).

SOMETHING IS AFOOT IN ROME DESPITE ITS DEEP-ROOTED INERTIA

Rome's office market is gradually improving and 2016 was also a positive year for the city, with an annual absorption higher than the average of the past years. Although Rome suffers from less transparency in the real estate sector and has a smaller market given the size of the city, it is nonetheless slowly growing.

Rome's take-up in 2016 stood at approximately 150,300 Sq m, an increase of 43% compared to 2015. Absorption in the Capital's market is notoriously led by the public sector, which on average has accounted for 30% of the total from 2000 to now. However, in 2016 demand from large corporates increased, and for 2017 an active demand of 130,000-W140,000 Sq m is expected. Among the most dynamic sectors is the pharmaceutical industry with several companies looking for new premises. The main driver guiding location strategies in Rome, unlike Milan, is the search for A grade quality spaces, which the city lacks. Most potential tenants concentrate their search on the EUR, which, given the types of property and accessibility, is the most attractive area.

Reflecting the improvement of the market, at the end of 2106 an increase of prime rents equivalent to 400 Euro/Sq m/year in the CBD and 330 Euro/sq m/year in the heart of the EUR was recorded. The weighted average rent in 2016 calculated on real transactions increased by around 2% compared to 2015, giving further confirmation of the strengthening of the Rome market. Between 2017 and 2020 an average growth in rents of 2% is expected.
With about 100,000 Sq m under construction, development activity in the Rome office market is stable. All the building sites underway at the moment are refurbishments of offices located centrally or in the business areas of EUR with completion expected between 2017 and 2018. Most of them (94%) are speculative projects, refurbished offices placed on the market in the expectation of finding tenants. At present, the most important building site in the capital is the Europarco project, in the EUR Torrino area. Of this project 100,000 Sq m of office spaces have been completed, but the remaining part, about 60,000 Sq m is still in the planning stage, and there are no certainties regarding its actual realization. In December 2016 the new BNP Paribas headquarters was completed in Tiburtina. This building, with a surface area of about 42,000 Sq m, is a cut above the other stock of the capital and will host around 3,600 workers, creating a new business hub near the station.
In 2015 the first 21 stops of the new C line of the underground railway, intended to connect the North-Western part of the city with the Eastern quadrant, were completed. Currently construction of 3 stations is under way, one of which, San Giovanni, is nearing completion and will be the first interchange with the existing A line. The Development of the C line is a great opportunity for the capital's office property market and should contribute to bringing new life to a part of the city that is still poorly served by public transport.

> "The main driver guiding location strategies in Rome is the search for A grade quality spaces, which the city lacks. At the end of 2106 an increase of prime rents equivalent to 400 Euro/Sq m/year in the CBD and 330 Euro/sq m/year in the heart of the EUR was recorded."

Photo: Roma (Shutterstock).

ROME

2017 - 2020 | OFFICE BASED EMPLOYMENT GROWTH
AVERAGE ANNUAL CHANGE

PROFESSIONAL +2.1%

CREATIVE INDUSTRIES +1.8%

BUSINESS SERVICE +1.5%

FINANCE +1.4%

MANUFACTURING +1.1%

PUBLIC ADMIN -0.4%

Source: Oxford Economics, December 2016 .

INVESTING IN CHANGE, THE KEY TO SUCCESS

Steady economic improvement together with the greater sophistication of the Italian consumer will make 2017 a buoyant year for retailers. The increasing competition to attract a larger share of consumers is encouraging the development of new formats both in fashion and food and new arrivals in Italy. Over the year the polarization between performing and non-performing centres will continue, bringing about what could be called a new Darwinism: those who invest in transforming centres so as to meet the needs and tastes of the new consumer will continue to grow, those unable to seize the change will disappear.

In the last part of the year consumer confidence returned to growth after having experienced a post summer slowdown. Widespread economic uncertainty and fears for safety combined with the natural disasters that affected the centre of Italy last year, contributed to a certain extent to a general slowdown. This was reflected in retail sales, which in December 2016 were down compared to the same period of the previous year, although annual growth was still up compared to 2015.

The Italian consumer has changed, forcibly led to the newly sober logical and practical choices necessary to emerge from the long recession: in the 2008-2013 period alone consumption dropped by almost 8% of which little more than 2% was recovered in the two-year period 2014-2015.

On average, expectations for growth in consumption for 2017-2020 are for a trend of not more that 1% per year, which is why it will be difficult to get back to pre-crisis levels in the next few years. Despite this, the new offers from modern large-scale retailers cushioned the social effects of the difficulties arising from the long period of crisis for Italian households. This will be the future trend: giving Italian households the chance to fill their shopping basket with a range, and not a limited one, of goods and services matching their spending power will be the determining factor for retailers in attracting a larger share of consumers.

"Giving Italian households the chance to fill their shopping basket with a range, and not a limited one, of goods and services matching their spending power, will be the determining factor for retailers in attracting a larger share of consumers."

In the food sector, in particular, the strategies of keeping prices down, discounts and special offers, and the increase of private-label products, will continue to be formidable tools to help households to maintain their real purchasing power, even

Photo: Shutterstock.

against a background of a strong propensity to save and negative expectations of future income.

SHOPPING CENTRES

2016 was a particularly lively year for the shopping centre sector, with over 300,000 Sq m of finished projects, compared to 21,000 Sq m in 2015. The developments carried out confirmed the tendency to build ever-larger malls aimed at regional catchment areas. Compared to the past, new shopping centres are changing: fewer anchor stores and more spaces given over to services, leisure, entertainment and food courts. The mall is becoming a meeting place for the community, where shopping, entertainment and free time blend to create the best purchasing experience possible. The space allocated to the gallery, true anchor of the mall, is increasing at the expense of the

> "Compared to the past, new shopping centres are changing: fewer anchor food stores and more spaces given over to services, leisure, entertainment and food courts."

Photo: Vicolungo The Style Outlets (CBRE).

Photo: Starbucks (Shutterstock).

hypermarket, whose surface area is reduced and which blends in organically with the rest of the structure. In 2016 the range of services present in malls was further extended by the introduction of out-patient clinics, the first of which being the Humanitas Medical Care Point in the Arese centre.

The development pipeline is still flowing strongly and projects with completion planned in 2017 include the Adigeo Shopping Mall in Verona, the Maximo Mall in Rome, which should be inaugurated next autumn, and the new shopping centre district of City Life which will complete the business development on the area formerly of the Milan Trade Fair. This is a new urban format, a halfway between a shopping centre and a traditional city square. Overall in January 280,000 Sq m GLA of projects involving shopping centres were under construction.

The planning process for the construction of the largest European mall developed by Westfield in Milan is proceeding steadily, and work should begin before the year is out: around 170,000 Sq m of GLA, with completion between 2019 and 2020. The high retailers demand for quality spaces in the best malls, together with low availability, made prime rent grow by 6% in Milan and by almost 9% in Rome compared to 2015. In 2017 the trend of prime rents is towards stabilization, with a possible upward push in the following 2 year period as a result of the gradual improvement of the economy.

"Although international restaurant chains used to find it difficult to enter the Italian market, now things are changing and more and more brands are interested in opening flagship stores in Italy."

In 2016 retailers activity was dynamic and entries by new brands and the opening of new formats by existing brands continued. In particular, Primark, Lego, Metrocity, Oakley, MoleskineCafè, Chloè, 3INA, Fausto Puglisi, Manuel Ritz, American Vintage and Loacker Bar are just some of the new openings registered in Italy. In the next few months work on the new Italian Starbucks format will begin, while the entry of Uniqlo into the market is almost certain.

Although international restaurant chains used to find it difficult to enter the Italian market, now things are changing and more

Photo: Primark, Il Centro, Arese (Shutterstock).

and more brands are interested in opening flagship stores in Italy. However, the formats are being studied with a keen eye on the target consumer. For example, Starbucks is likely to open its first Milan store with a roastery format, the first of its kind in Europe for the group.

In 2017 IsseyMiyake, Under Armour, Ted Baker (indirectly), Coach and Jollibee are expected to enter the Italian market, and Tesla, which has opened in Piazza Gae Aulenti in Milan has consolidation objectives in Rome too.

Tourism remains one of the strongest economic sectors in Italy (from 2008-2015 international arrivals increased by 31%) and is an important driver guiding retailers' locational strategies for expansion. It is the arrival of foreign tourists that the luxury brands are betting on, as a good part of their earnings are based on sales to American and Asian tourists, not only Japanese but increasingly of Chinese origin. In 2017 an increase in the flow of foreign tourists to Italy, which will bring arrival numbers of close to 65 million is expected, 4% more than last year. The main contribution should come from countries outside Europe, and, in particular, from American tourists, helped by the rebalanced dollar-euro exchange rate.

FACTORY OUTLETS

Today there are 23 outlets in Italy (GLA Sq m > = 13,000), giving a total surface area of nearly 630,000 Sq m with more than 2,000 units, generally occupied by domestic and international retailers. Many of these brands are Italian. In the recent crisis period this sector proved to be more resilient than other retail formats.

The offer of discounted luxury brands together with the strong propensity of the Italian consumer for such brands continues to favour this format. In terms of maturity, Italy is in second place in Europe after Great Britain for number of outlets open, with a

Photo: Castelguelfo The Style Outlets (Shutterstock).

balanced geographical distribution. In fact 44% of these FOC's are in Northern Italy versus 56% distributed throughout the centre, South and the Islands. The development of outlets is particularly favoured in the Italian market thanks to the presence of many national retailers, constituting a guarantee for developers who can count on a wide range of brands interested in opening, thereby avoiding the risk of vacant units. Development activity confirms the positive trend in the sector, and in 2017 the opening of two new outlets is expected: DeltaPo in Rovigo and the Turin Outlet Village, for a total of 40,000 Sq m. More is in the pipeline and as of January 2017 there were 120,000 Sq m of schemes under construction or on the drawing board, which will be completed in the next three years.

The investment market in the outlet sector in Europe grew in 2016, reaching a record volume of almost two billion Euro thanks

Photo: Castelguelfo The Style Outlets (Shutterstock).

to the sale of some portfolios. In particular, the sale of 6 outlets by the Retail Property Fund IRUS (Neinver) to TH RE for nearly 700 million Euro, including two centres in Italy (Vicolungo and Castel Guelfo The Style Outlets). Today there is growing interest on the part of investors, not only those specializing in the sector but also institutional investors. In particular, given the highly specialized nature of this type of asset class, which requires intense management activity, investments for this type of player take place via joint ventures.

"The development of outlets is particularly favoured in the Italian market thanks to the presence of many national retailers, constituting a guarantee for developers who can counts on a wide range of brands interested in opening, thereby avoiding the risk of vacant units."

Photo: Il Centro, Arese (Shutterstock).

LOGISTICS-THE PROTAGONIST IN 2017

Technology, consumer habits and commerce are changing rapidly. The way of purchasing and distributing what has been purchased in the shortest possible time has become central in redefining the supply chain of retailers and logistics companies. This is creating opportunities for all those working in and investing in the sector.

The logistics property market in Italy was traditionally dominated by owners/operators in the past and only in the past few years has the emergence of logistics hubs with higher quality standards attracted the interest of international investors. Most of the warehouse stock for contemporary distribution services, approximately 13.3 million Sq m, has been developed in the northern regions along the main motorway corridors connecting Milan, Turin, Bergamo and Venice.

In the last 10 years average annual take-up in Italy has been 650,000 Sq m, with a peak in 2011. 2016, with an absorption of almost 1.4 million Sq m was the best ever year. The most active sectors were 3PL and retailers, in search both of small spaces for urban distribution and extra large warehouses outside cities.

Availability is gradually dropping with the December 2016 vacancy rate equal to 5.5%. Most availability is of medium quality warehouses, not Grade A. Speculative developments are still negligible and development activity even in 2016 was led by build-to-suit and/or pre-let. In the last two years users have preferred to gather in historic hubs such as the area around Milan, the Piacenza logistics hub or the Bologna interport, where important e-commerce operators have set up their warehouses and which positions itself as a transport interchange between regions of the North and the Centre and South of Italy, the area which gravitates towards the Rome market (Fiumicino, Pomezia, Fiano Romano, Anagni, Colleferro), the eastern side of Verona, the area of Novara and Vercelli, and, to the south, Naples with the interport of Nola and Marcianise.

"2016, with a take-up of almost 1.4 million Sq m was the best ever year. The most active sectors were 3PL and retailers, in search of both small spaces and large ones outside cities."

The range of prime rents is around € 50-55 Sq m per year while average rents are around 35-45 Euro/Sq m/year. The highest rents are paid for locations close to the larger cities and near the most important road interchanges in the market of Milan, Rome and Bologna.

Logistics is increasingly becoming a key sector for the coming years and this is evident from the growing flow of investments by new investors and specialists who have been betting on Italy since the end of 2013, investing massively and creating logistics platforms: Logicor and P3 among the new entries and Prologis among existing ones. Among the most active institutional investors (funds/asset managers) in 2016 were AEW, LIM, CBREGI and Tristan Capital Partners who is continuing its acquisition strategy, enriching its logistics fund with new assets.

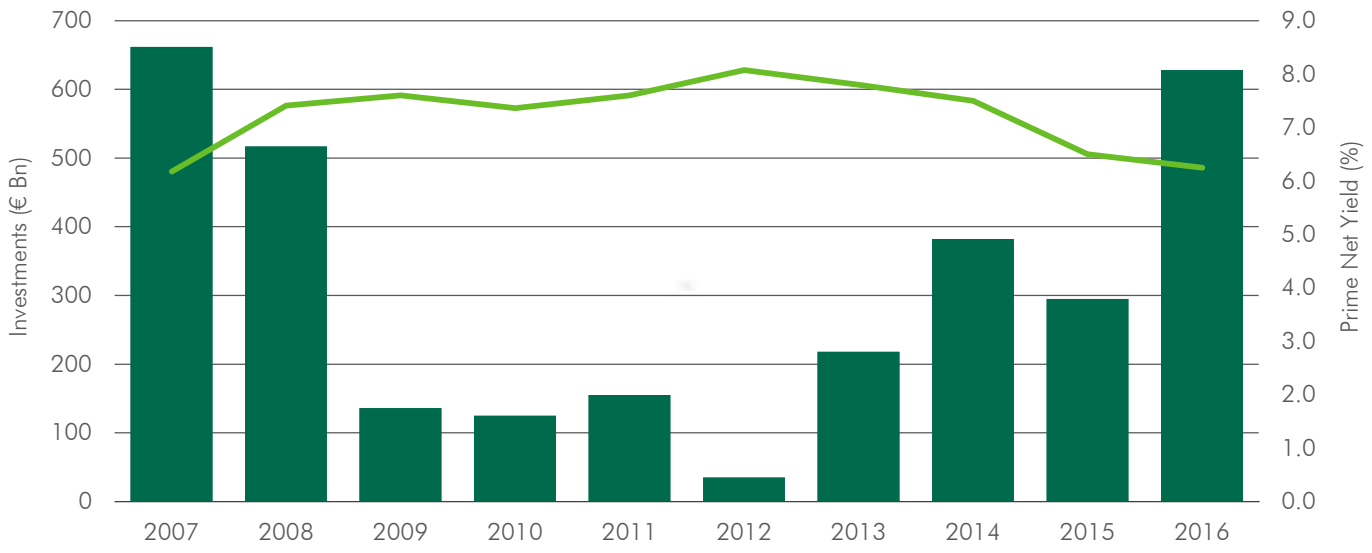
In 2016, the entrance of GIC through the acquisition of the P3 platform (previously sold to TPG/Ivanhoe Cambridge) confirms

Photo: Shutterstock.

how much importance the sector is gaining even among core investors. Prime net yields, at 6.25%, have touched a historic low, and despite this, the spread with 10 year Treasury Bonds is still higher than 400 BPS, which confirms that logistics will continue to be a very attractive asset class in 2017.
Growth in investment volumes is continuing and 2016, with nearly 630 million Euro was the second best year ever (+52% compared to 2015). Portfolios continue to be the main contributor to these volumes: apart from GIC, in 2016 Logicor bought two logistics portfolios for a total of around 130 million Euro.

Italy is a country with some very strong niche industries, as well as being a world leader in some sectors such as fashion, precision machine tools and automotive engineering. Now that the economy is showing timid signs of growth and the global economic context is more favourable, we expect that development programmes tied to the European Corridor Projects involving Italy will reappear on the country's agenda, thereby fostering a further consolidation of the offer of distribution spaces.
In the next few years, distribution will be influenced by retailers' increasing need to structure their networks so as to reduce delivery times of products to the consumer and adapt the supply chain to the new ways of collecting goods ordered online. In such a context, the logistics of the last mile is what many operators are concentrating on.
During 2017 demand will be polarised between small spaces close to urban areas and large spaces, outside urban areas but with excellent accessibility. Availability today is lacking in many areas, as a result of speculative development being stationary since 2009. Today, however, the minimal base rent level together with an all-time low cost of capital could finally restart speculative development and bolster the construction of build-to-suit warehouses, helping to make the offer of product grow to continue to feed the strong demand for investments in this asset class.
There are some emerging trends that could strenghtened in the coming years, such as the demand for assets located closer to the city both logistics and other property types which could be transformed into warehouses, for the delivery of last mile. The increase in online sales and the need of faster delivery times for a more demanding consumer will continue to boost this trend.

Figure 6: Investments and prime yields in the logistics sector.



Source: CBRE Research.

STRONG INVESTOR INTEREST IN THE HOTEL SECTOR

In 2016 the total volume of investment in the Italian hotel sector was over €1 billion. Investment activity in this sector is therefore back to pre-crisis levels, with a preference for prime markets and the upper segment although interest in secondary markets is beginning to grow.

In 2016 the hotel investment volume accounted for 15% of the total real estate transaction volume in Italy, thus showing a substantial increase compared to the weighting that hotels had in 2007 (equal to 7%).
The most notable transactions occurred in the luxury segment of prime markets. Examples are:

- The acquisition of the Westin Excelsior and St. Regis by Nozul from Starwood Hotels & Resorts, which completes the disposal of the Group's directly managed hotels in Italy,
- The acquisition of the Aldrovandi Villa Borghese Hotel in Rome by Dogus Group, with a view to rebranding it,
- The sale of Palazzina G in Venice to Relegance at a price per key substantially in line with trophy assets.

The most notable transaction in terms of total volume was the acquisition of the Una Hotel Portfolio by UnipolSai Assicurazioni. The merger with AtaHotels, owned by UnipolSai Assicurazioni, resulted in the creation of the largest 100% Italian hotel chain, with 43 hotels with 5,500 keys distributed throughout Italy.
Transactions were also completed in the seasonal segment of resorts (the most significant transaction being the acquisition of the three Valtur Resorts in Pila, Marilleva and Ostuni by Investindustrial, who had previously acquired the Valtur operating company with the advice of CBRE Hotels) and in secondary markets, such as Turin, Bologna, Mestre and Lucca.
In 2017 there is expected to be a slight easing compared to last year's sales volume.
Investment activity has been supported by steady growth in performance over the last five years especially in prime markets, i.e. Rome, Milan, Florence and Venice, which are more typically underpinned by international demand, and more recently even in secondary markets.
Although the 2016 Jubilee did not bring in as many tourists as expected, the performance of Rome is continuing to improve. The repositioning and refurbishment of existing hotels together with the opening of new luxury hotels will continue to promote the potential of the Capital.
Milan is experiencing a moment of adjustment in performance after the exceptional year of Expo. Indeed thanks to Expo in 2015 not only was performance greatly improved compared to 2014 but today the city is seen as a destination for leisure not just

HOTEL TRANSACTIONS

Acquistion of the St. Regis Florence and Westin Excelsior, in Florence by Nozul Hotels & Resorts for a total of € 190 million.

business. This mitigates the risk resulting from the greater fluctuation in demand traditionally linked to the trade fair and business calendar.

Since the opening of the Four Seasons in Florence, there has been a substantial upturn in the performance of the city, which will be seeing some new hotels open soon in the upper-upscale and luxury segments.

Venice is the most resilient of the major Italian destinations, with the highest ADR and most developed luxury segment. The fluctuation in performance is due mainly to the Biennale Arte event that is held every 2 years.

Italy, with over 390 million bed-nights per year, is the fifth most visited country in the world and has the largesWWt hotel accommodation capacity in Europe, with 1.1 million rooms

"Investment activity has been supported by steady performance growth especially in prime markets, i.e. Rome, Milan, Florence and Venice."

Table 1: Italian primary and secondary market performances in 2016 and recent trend.

2016	OCCUPANCY (%)	ADR (€)	REVPAR (€)	CHANGE* ('16-'15)	CAGR* (last 5-yr)
PRIMARY MARKETS					
Venice	70%	225	156	- 4%	8.14%
Florence	70%	134	94	+1%	5.77%
Rome	72%	162	117	+8%	4.91%
Milan	64%	141	91	- 19%	3.95%
SECONDARY MARKETS					
Turin	64%	92	59	+2%	3.57%
Catania	75%	80	60	+11%	7.76%
Bologna	60%	89	54	+12%	8.27%
Genoa	66%	88	58	+12%	6.20%
Bergamo	69%	73	51	- 2%	2.53%
Naples	80%	75	60	+18	7.69%
Padua	70%	58	41	+9%	8.34%
Verona	71%	57	41	+19%	5.86%
Brescia	53%	64	34	+10%	5.02%

*Based on RevPAR - Source: AICA-STR Global 2016.

distributed over 33,000 hotels. The average accommodation capacity is therefore rather small and is mainly made up of unbranded family-run hotels. Brands are still heavily under-represented compared to other European countries, with branded hotels accounting for only 4% of the total.
The tourist industry currently generates 10% of Italian GDP.

The market is currently characterized by an increasing number of conversions of existing buildings into hotels and by good development opportunities in the luxury segment.
The banking sector has started financing new projects again, while NPL portfolios, with some unlocked potential, are now constantly being transacted.
In the next few years the city of Rome will experience strong growth in the quality of luxury hotel supply, with the entry expected of important international brands such as Shangri La, W Hotel, and Rosewood.
Some existing hotels are currently being refurbished and repositioned in higher market segments. Examples are the Hotel de la Ville and the Hotel Eden, now part of the Dorchester Collection, which will be setting the standards for the upper luxury segment in the Eternal City of Rome.

"The upper-upscale and luxury segments will experience strong growth in the next few years in the four major Italian hotel markets."

Photo: Conversion of a building in Trastevere, Rome into a lifestyle hotel. (CBRE Hotels).

"The market is currently characterized by an increasing number of conversions of existing buildings into hotels and by good development opportunities in the luxury segment."

The Milan pipeline continues to grow with the entry of new brands in the luxury segment, e.g. the W Hotel planned in Brera, a still undisclosed luxury brand in Piazza Cordusio (where CB Richard Ellis Hotels is advising Fosun Fidelidade - the Owner- in the selection of an operator and in the negotiation of the contract), and the Hotel Ferragamo (Arcivescovado). Lifestyle brands, such as the Edition by Marriott, Innside by Melià and Indigo by Intercontinental Hotel Group, are also expected to arrive on the Milan hotel scene.

Venice will offer further options in the luxury segment thanks to the renovation of the Hotel Excelsior e Des Bain on the Venice Lido and the planned refurbishment of the Westin Europa & Regina in San Marco. Brands, such as NH and Intercontinental are strengthening their presence in the upscale and upper upscale segments, through the conversion of existing buildings. Less central and emerging locations, such as Murano, Cannaregio, Dorsoduro and Isola delle Grazie are now being explored by the operators.

In Florence the upper upscale and luxury segments are expanding through the conversion of existing buildings (San Paolino) and the refurbishment, extension and rebranding of historic hotels (Helvetia & Bristol by Starhotels).
New formats are also being developed especially in prime markets, including luxury hostels (such as Generator and Meininger in Venice and Rome) and student housing (The Student Hotel in Florence and Bologna).

Photo: Palazzo Broggi, Piazza Cordusio, Milan. The hotel will be managed under a luxury brand. (Shutterstock).

INCREASED INTEREST IN INVESTMENTS IN "ALTERNATIVE" SECTORS

In the last two years, investment volume in "alternative" sectors totalled slightly less than 2 billion Euro, representing around 10% of total investment volume, up from the 1-3% of previous years.

The search for high returns in a general context of low interest rates, together with the need to diversify asset location, has shifted investors' attention in the last few years, especially those with a higher risk/reward profile than core investors, towards alternative asset classes. Up to now, investment in alternative asset classes in Italy has been concentrated on care-homes for the elderly and telephone exchanges. The reliability of the lessee and the definition of sustainable rentals in the context of long-term leasing agreements are the key elements on which investments in this type of product are arranged.

"Net returns on acute-care hospitals and care homes for the elderly are around 7%; telephone exchanges show greater variability according to their geographical location, but they too are between 6.5 and 7%."

Turning to healthcare, in the last 15 years investors have targeted care homes for the elderly in North and Central Italy, where the regional health services are able to reimburse approved operators in a relatively reliable and constant way, guaranteeing stable cash flows.

In recent years, however, the accredited private hospital sector has become another service provider sector of interest. In particular, investment in this type of product could be an opportunity for the large American real estate investment trusts and specialized European operators. (MedicalProperties Trust made its first acquisition of this type in Italy in 2015, together with AXA).

Among alternative assets, telephone exchanges have for some time been an attractive product for investors thanks to their long rental contracts and their strategic role in the Italian telecommunications infrastructure. Following the renegotiation of a large chunk of rental contracts in 2015 (on average the contracts were extended by more than 15 years) this market is likely to be the object of a new cycle of investments. Unlike in the

Photo: Shutterstock.

past, investments in alternative assets today are also on the radar of institutional investors (insurance companies, pension funds or players specialized in Net Leasing).

In 2017, according to the results of a survey conducted on a sample of property investors active in the Italian market, 7% of those interviewed considered the healthcare sector a preferred target in which to invest, compared to the 1% of investments actually carried out in 2016. This confirms the strong imbalance between demand and supply, which must be righted in the next few years. In fact, the demographic trend underway which anticipates a strong growth of the over 65 population in the next few years (today at 22% with growth expected to 35% in 2060) will place the question of supply on the political agenda, favouring the creation of new opportunities for the private sector as well.

The residential sector (or PRS private rented sector) is another sector considered to be an interesting asset class in which to invest even if the conditions of the Italian context (legal and legislative framework) are discouraging a growing number of new investors used to the more regulated markets in the USA,

"The demographic trend underway which anticipates a strong growth of the over 65 population in the next few years will place the question of supply on the political agenda, favouring the creation of new opportunities for the private sector as well."

Photo: Shutterstock.

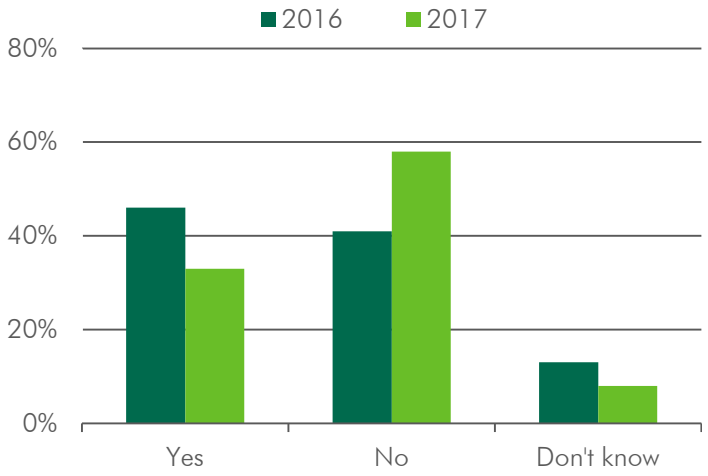
Germany, Holland and Spain.

Despite these operational difficulties, the more core investors are looking with increasing interest at the residential sector, historically characterized by low returns and a demand less subject to market fluctuation: a house is a basic need and this makes investment more stable than the more volatile so-called "commercial" property. However, the obstacles to the development of this market in Italy remain serious.

"Core investors are looking with increasing interest at the residential sector, historically characterized by low returns and a demand less subject to market fluctuation."

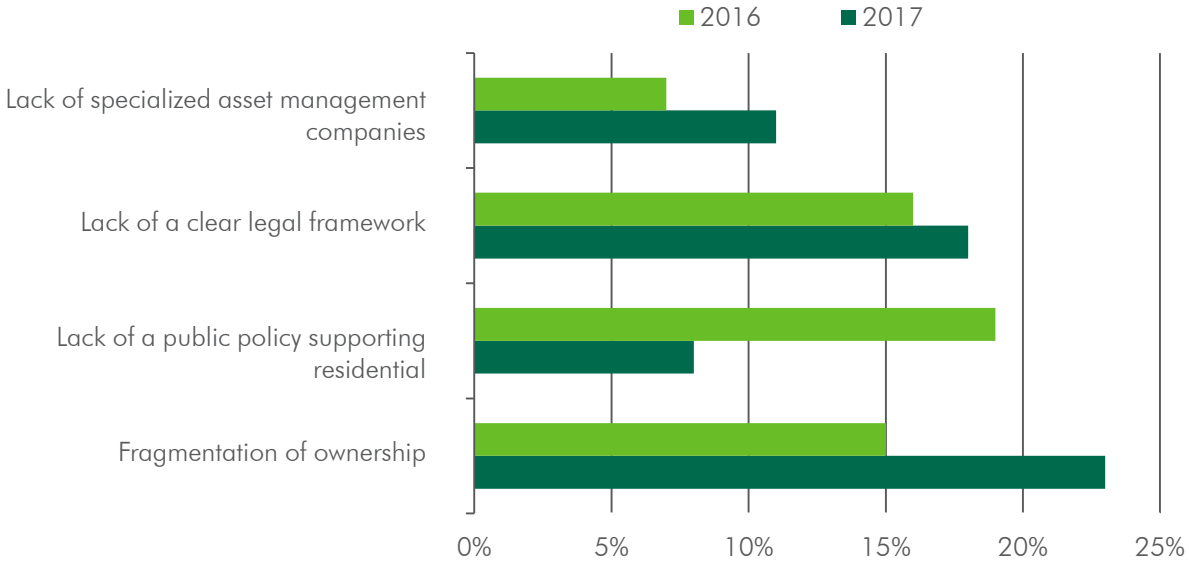
Photo: City Life Milan (Shutterstock).

Figure 7: Do you think that the residential sector will be an interesting asset class to invest in?



Source: CBRE Research, Investors' Survey 2017.

Figure 8: Which are the main constraints on investing in the residential sector in Italy?



Source: CBRE Research, Investors' Survey 2017.

NPLS: WILL 2017 FINALLY BE THE TURNING POINT?

In 2016 the sale of NPLs in Italy grew further compared to 2015, chiefly led by a single transaction (a portfolio sold by Unicredit for around 18 billion) which partly counterbalanced the market impasse generated by the volatility and uncertainty linked to the banking and political sector.

After a very important 2016, 2017 could be the key moment for the Italian NPL market, with further growth in volumes and the consolidation and maturity of the market. Some important banks are considering new sales from their credit portfolios: of the around 200 billion Euro of bad debts still weighing on the balance sheets of Italian banks, about half consist of guaranteed loans with a high rate of collateral tied to the real estate sector and industrial firms. Starting at the end of 2015 and continuing into 2016, the government enacted a series of measures to assist in the disposal of non-performing loans by the banks, the efficiency of which has yet to be fully demonstrated.

Today it is still unclear how the NPL sector might foster the growth of the real estate sector, as understanding the property situation underlying certain non-performing loans is not easy. In December we asked a sample of investors if they thought these measures could have a positive impact on the real estate sector in 2017. Although well-received, the measures introduced by the state, did not fully convince real estate operators, with the exception of the GACS, which elicited the highest number of positive responses (42%).

AUGUST 2015

L. 132 law on reform of Bankruptcy: Measures to shorten bankruptcy times, to facilitate voluntary agreements, to speed up repossessions and to introduce tax deductibility for losses on loans and write-downs.

MARCH 2016

GACS (Guarantee Securitisation Non Performing Loans): State guarantees to facilitate the removal of bad debts from bank balance sheets.

APRIL 2016

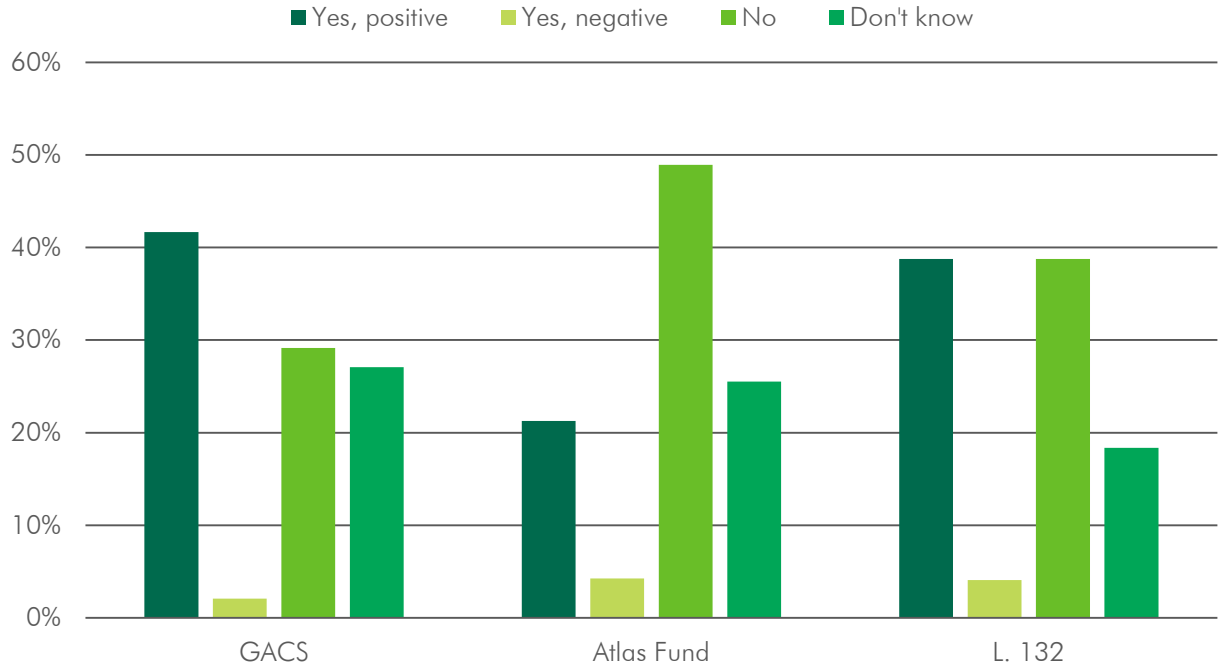
Creation of the Atlas Fund: a private initiative supported by the Italian government with the objective of guaranteeing the successful recapitalization of the worst hit failing banks (Banca di Verona e di Vicenza) and of buying banks' NPLs. The fund is managed by Questio Sgr and underwritten by the main Italian banks and insurers as well as by CDP. The aim of the Atlas Fund is to promote the creation and development of an effective market for distressed credit. It does not replace the market, but acts to improve its functionality, to reduce the spread between bid and offer.

JULY 2016

DL59/2016 converted into law. Further measures to speed up the recovery of the assets underlying bad debts and the introduction of a judicial pledge not involving repossession.

Photo: Shutterstock.

Figure 9: Measures introduced by the Government, will have a material effect on the real estate market?



Source: CBRE Research, Italian Investors' Survey 2017.

CONTACTS

For more information about this report, please contact:

Raffaella Pinto
Head of Research
raffaella.pinto@cbre.com

Erica Riso
Senior Research Analyst
erica.riso@cbre.com

For more information regarding CBRE Italy activity, please contact:

Alexandre Astier
MD Capital Markets
alexandre.astier@cbre.com

Camilla Bastoni
COO GWS, Head of Strategic Consulting
camilla.bastoni@cbre.com

Francesco Calia
Head of Hotels Italy
francesco.calia@cbre.com

Stefania Campagna
Head of A&T Services Office Milan
stefania.campagna@cbre.com

Davide Cattarin
MD VAS Italy
davide.cattarin@cbre.com

Matt Cook
Head of GWS Italy and SEMED
matt.cook@cbre.com

Massimiliano Eusepi
Head of A&T Services Office Rome
massimiliano.eusepi@cbre.com

Silvia Gandellini
Head of Retail Investment Properties
silvia.gandellini@cbre.com

Benjamin Khafi Grynfas
Head of A&T Services I&L
benjamin.khafigrynfas@cbre.com

Gaetano Lamacchia
Retail Director
gaetano.lamacchia@cbre.com

Stefano Mellace
Head of Client Solutions
stefano.mellace@cbre.com

Marcello Panizzutti
ED Project Management
marcello.panizzutti@cbre.com

Franco Rinaldi
Head of Asset Services
franco.rinaldi@cbre.com

Federica Saccani
ED Building Consultancy & Sustainability
federica.saccani@cbre.com

Andrea Carlo Sala
Head of Office Investment Properties
andreacarlo.sala@cbre.com

Marcello Zanfi
Head of A&T Services High Street
marcello.zanfi@cbre.com

CBRE RESEARCH

This report was prepared by CBRE's Italy Research Team, which forms part of CBRE Research—a network of pre-eminent researchers who collaborate to provide real estate market research and econometric forecasting to real estate investors and occupiers around the globe.

To learn more about CBRE Research, or to access additional research reports, please visit the Global Research Gateway at **www.cbre.com/research** or our blog at **http://aboutrealestate.cbre.com**

Published March 2017